

KNOWLEDGE EXCHANGE PARTNER

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The Impact of the Wuhan Coronavirus on US Agriculture

The emergence and spread of the coronavirus, officially titled COVID-19 by the World Health Organization, has been at the top of the news cycle for weeks now. With nearly 100,000 confirmed cases and over 3,000 deaths as of March 6, health agencies are on high alert. It should be noted that more than half of those infected have recovered from the virus.

Originally identified in Wuhan, capital of the Hubei Province in central China, the virus is believed to be zoonotic in origin, meaning that it likely crossed over from an animal source and later spread between people. While medical experts differ in their assessments of exactly how deadly the virus is, its spread and containment is a matter of great concern not only within China, but around the globe.

In China, individual movement and travel has been severely curtailed, and many businesses have shut down or reduced operations, resulting in a major decline of economic activity. Travel to and from China has slowed considerably, and shipping has been severely impacted as well. While the effects of this outbreak cut across all sectors of society and the economy, this article focuses on its impact on U.S. agriculture.

While China continues to need imports to supplement its food supply, the general economic slowdown caused by the outbreak could impact China's purchases of U.S. products.

The "phase one" trade deal agreed to in January promised that China would purchase between \$40 and \$50 billion of U.S. agricultural goods and seafoods in each of the next two years. Almost immediately, analysts began to question China's ability to meet these goals, noting that China's U.S. agricultural purchases previously peaked at \$24.2 billion in 2014 and came to less than \$10 billion in 2018.¹

While China is likely to increase its U.S. agricultural purchases in the coming two years, by how much remains an open question. While the "phase one" agreement targets may have been overly optimistic to begin with, the impact of the coronavirus could further decrease China's actual purchases. The USDA's Chief Economist, Robert Johansson, issued a projection that U.S. agricultural exports to China would reach only \$14 billion in the fiscal year ending September 30th.

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¹ USDA Foreign Agricultural Service

While this would still represent a roughly \$4 billion increase, year-over-year it is far short of previous expectations.

Overall, the decline in Chinese economic activity and the disruption of shipping to and from China will likely ripple through the global economy.

Further impacting the U.S. agricultural economy is that the coronavirus outbreak follows two major setbacks to U.S. exports of grain and feed to China. The first setback resulted from the trade disputes that shifted Chinese purchases from the U.S. to countries like Brazil. The second was the outbreak of African Swine Fever (ASF). This could mean a resurgence of Chinese feed imports may be slow to develop. ASF resulted in a major culling of the Chinese pig herd which will increase demand for U.S. pork but sharply reduce feed demand.

The combination of ASF and coronavirus has resulted in major food price increases in China. Food makes up about one-third of overall spending by Chinese consumers (compared to about 10% for the U.S.).² ASF caused pork prices to rise 116%. The impact of the coronavirus and its disruption of supply chains both into and within China has made fruits and vegetables at least 17% more expensive locally. Economists expect that China's consumer price index will rise by at least 4% due to supply shocks as well as stockpiling by anxious consumers.

While such price increases would normally spur buying from abroad, shipping in and out of China has declined significantly. Shipping companies report that large container ships are leaving Chinese ports half-full, and sailings to and from China are being cancelled. The Wall Street Journal reported that global trade has declined by more than 350,000 containers since the outbreak began. Imports to China are also facing challenges because many ports are operating at reduced capacity, leading to major cargo backups. U.S. ag exporters have been warned of backlogs of goods arriving in China, particularly for perishables that require refrigeration. Additionally, some exporters are facing cargo holdups within the U.S. because of the problems in China.³

The overall economic slowdown, coupled with rising costs for goods, will reduce Chinese consumers' purchasing power. This is bad news for sales of higher-end foods like some fruits and seafoods; U.S. lobster exports to China, already suffering from tariff impacts, have virtually ceased due to the cancellation of most air traffic to China. Even when flights resume, exporters worry that sales will be slow to recover.

Meanwhile, for international markets, what China's not buying has to go elsewhere. This means that commodities normally bought by China are now seeking homes in other markets, suppressing world prices for everything from shrimp to logs.

While some reports indicate that the rate of new infections may be slowing in China, the number of cases continues to increase across the globe. The significance of the impact on U.S. agriculture will depend in large part on the outbreak's movement and how long quarantines remain in place.

² USDA Economic Research Service

³ The Wall Street Journal, "China's Shipping Nears a Standstill Amid Coronavirus Disruption," Feb 14, 2020.

Steer Clear of Scams This Tax Season

With tax and loan renewal season in full swing, it seems like it's peak season for paperwork. Unfortunately, this means it's also peak season for scam artists.

Fortunately, most scam attempts can be foiled with a few basic precautions. Here are a few of the common ways scammers try to fool you and some steps you can take to protect yourself.

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Caller ID Spoofing

A common scam is Caller ID Spoofing, which occurs when a caller deliberately falsifies the information transmitted to your caller ID display to disguise their identity. Note that caller IDs are not always accurate.

The persons committing this fraud may be seeking personal information such as social security numbers or other personal financial information. Never give out personal information such as account numbers, Social Security numbers, mother's maiden names, passwords or other identifying information in response to unexpected calls or if you are at all suspicious. Often such callers will identify themselves as being with the IRS or Social Security Administration and will accuse people of wrongdoing in order to incite fear and compliance with their scam.

"Phishing" Emails

"Phishing" is when scammers try to trick people into giving them sensitive information through fraudulent means. Here are a few ways to spot a "phishing" attempt:

- **The message is not sent from the right address:** No government agency or large business will contact you from a "Gmail" or "Yahoo" address. Email "from" addresses can be spoofed as well, so that's not an iron-clad identifier, but a public email domain is usually a giveaway you're dealing with a scammer.
- **Misspellings and poor grammar:** While everyone makes occasional spelling and grammar mistakes, scam emails are notorious for such errors. If you get an email with poor spelling and grammar, don't respond.
- **The email contains suspicious requests:** Email is not considered a secure means of communication for sensitive information. Farm Credit East will never ask you to reveal information such as social security numbers, account numbers, or passwords in an unsecured email. We have a secure messaging service for all transmission of personal information. To login to your account or enroll, visit FarmCreditEast.com/login.
- **It includes suspicious attachments or links:** This is a great way for hackers to get viruses onto your computer. If you get an attachment you're not confident is genuine, don't open it. Call the sender to verify.
- **The message creates a false sense of urgency:** Scammers will often try to instill a sense of fear or urgency by pretending to be from an official agency or suggesting that something needs to be done immediately. Be wary of such requests.

If you get a suspicious inquiry by phone or email from someone who says they are associated with Farm Credit East, protect yourself by remembering these tips. Don't respond or click on anything within a suspicious email and hang up if you suspect a caller is fraudulent. [Call your local branch office](#); Farm Credit East will always verify your identity using specific, pre-set security questions before engaging in a discussion about your account.

CONTACT INFORMATION

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